

**FINN ACADEMY: AN ELMIRA CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Finn Academy: An Elmira Charter School

We have audited the accompanying balance sheets of Finn Academy: An Elmira Charter School (the School) as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

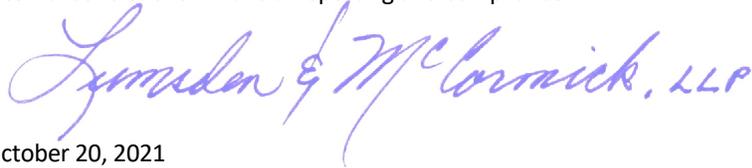
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 20, 2021

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

**Balance Sheets**

June 30,	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,240,828	\$ 1,585,674
Receivables (Note 2)	331,229	263,555
Prepaid expenses and other	74,954	76,151
	<u>1,647,011</u>	<u>1,925,380</u>
Property and equipment, net (Note 3)	793,780	820,455
Restricted cash	75,000	75,000
	<u>\$ 2,515,791</u>	<u>\$ 2,820,835</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 3,270	\$ 4,593
Accounts payable and accrued expenses	586,785	512,178
Deferred revenue	-	1,271
	<u>590,055</u>	<u>518,042</u>
Long-term debt	-	3,270
Paycheck Protection Program loan (Note 9)	-	654,160
<b>Net assets:</b>		
Without donor restrictions	<u>1,925,736</u>	<u>1,645,363</u>
	<u>\$ 2,515,791</u>	<u>\$ 2,820,835</u>

See accompanying notes.

**Statements of Activities**

For the years ended June 30,	2021	2020
<b>Support and revenue:</b>		
Enrollment fees:		
Resident students	\$ 4,136,901	\$ 4,757,960
Resident students with disabilities	198,182	249,195
Contributions:		
Federal, state and local awards	396,410	314,380
Paycheck Protection Program (Note 9)	654,160	-
Fundraising and other income	22,904	16,690
<b>Total support and revenue</b>	<b>5,408,557</b>	<b>5,338,225</b>
<b>Expenses:</b>		
Program expenses:		
Regular education	3,247,154	3,357,938
Special education	364,429	423,599
Other program	595,987	507,418
Supporting services:		
Management and general	920,614	975,417
<b>Total expenses</b>	<b>5,128,184</b>	<b>5,264,372</b>
<b>Change in net assets</b>	<b>280,373</b>	<b>73,853</b>
Net assets - beginning	1,645,363	1,571,510
Net assets - ending	\$ 1,925,736	\$ 1,645,363

**Statement of Functional Expenses**

For the year ended June 30, 2021

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	6.0	\$ -	\$ -	\$ -	\$ 422,751	\$ 422,751
Instructional personnel	50.0	1,968,777	243,512	-	-	2,212,289
Non-instructional personnel	6.0	-	-	126,971	107,517	234,488
Total salaries	62.0	\$ 1,968,777	\$ 243,512	\$ 126,971	\$ 530,268	\$ 2,869,528
Salaries		\$ 1,968,777	\$ 243,512	\$ 126,971	\$ 530,268	\$ 2,869,528
Employee benefits and payroll taxes		484,626	59,941	31,255	130,528	706,350
Classroom supplies and materials		94,096	-	-	-	94,096
Copier lease		25,053	-	-	-	25,053
Dues and subscriptions		6,017	-	-	-	6,017
Fieldtrips		185	-	-	-	185
Food service		-	-	156,164	-	156,164
Insurance		41,044	5,863	2,932	8,795	58,634
Interest		460	-	-	-	460
Rent		131,600	18,800	9,400	28,200	188,000
Office expense		4,428	-	-	14,204	18,632
Other expenses		26,735	464	5,933	3,631	36,763
Printing and promotion		1,960	-	-	-	1,960
Professional fees		4,940	-	-	143,358	148,298
Recruitment		-	-	-	7,857	7,857
Repairs and maintenance		113,940	16,277	8,139	24,416	162,772
Staff development		15,911	-	-	-	15,911
Student testing and assessment		23,215	-	-	-	23,215
Student activities		-	-	12,090	-	12,090
Technology		159,001	-	-	-	159,001
Telephone		7,946	-	-	-	7,946
Travel and conferences		222	-	-	-	222
Transportation		-	-	233,318	-	233,318
Utilities		51,454	7,351	3,675	11,026	73,506
		3,161,610	352,208	589,877	902,283	5,005,978
Depreciation		85,544	12,221	6,110	18,331	122,206
Total		\$ 3,247,154	\$ 364,429	\$ 595,987	\$ 920,614	\$ 5,128,184

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

**Statement of Functional Expenses**

For the year ended June 30, 2020

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	6.0	\$ -	\$ -	\$ -	\$ 417,291	\$ 417,291
Instructional personnel	50.0	2,030,531	292,006	-	-	2,322,537
Non-instructional personnel	6.0	-	-	116,259	114,113	230,372
<b>Total salaries</b>	<b>62.0</b>	<b>\$ 2,030,531</b>	<b>\$ 292,006</b>	<b>\$ 116,259</b>	<b>\$ 531,404</b>	<b>\$ 2,970,200</b>
Salaries		\$ 2,030,531	\$ 292,006	\$ 116,259	\$ 531,404	\$ 2,970,200
Employee benefits and payroll taxes		482,099	69,330	27,603	126,168	705,200
Classroom supplies and materials		119,787	-	-	-	119,787
Copier lease		43,421	-	-	-	43,421
Dues and subscriptions		700	-	-	-	700
Fieldtrips		10,906	-	-	-	10,906
Food service		-	-	155,899	-	155,899
Insurance		50,017	7,145	3,573	10,718	71,453
Interest		810	-	-	-	810
Rent		168,000	24,000	12,000	36,000	240,000
Office expense		4,049	-	-	15,523	19,572
Other expenses		17,164	1,632	473	19,422	38,691
Printing and promotion		1,187	-	-	-	1,187
Professional fees		150	-	-	169,522	169,672
Recruitment		-	-	-	22,433	22,433
Repairs and maintenance		72,295	10,328	5,164	15,491	103,278
Staff development		91,225	-	-	-	91,225
Student testing and assessment		25,040	-	-	-	25,040
Student activities		-	-	13,189	-	13,189
Technology		94,085	-	-	-	94,085
Telephone		8,931	-	-	-	8,931
Travel and conferences		3,438	-	-	-	3,438
Transportation		-	-	163,680	-	163,680
Utilities		54,032	7,719	3,859	11,578	77,188
		3,277,867	412,160	501,699	958,259	5,149,985
Depreciation		80,071	11,439	5,719	17,158	114,387
<b>Total</b>		<b>\$ 3,357,938</b>	<b>\$ 423,599</b>	<b>\$ 507,418</b>	<b>\$ 975,417</b>	<b>\$ 5,264,372</b>

**Statements of Cash Flows**

For the years ended June 30,	2021	2020
<b>Operating activities:</b>		
Cash received from enrollment fees	\$ 4,387,011	\$ 4,876,683
Cash received from contributions	275,537	380,272
Cash received from other sources	22,904	27,125
Payments to employees for services and benefits	(3,508,672)	(3,274,776)
Payments to vendors and suppliers	(1,421,042)	(1,485,281)
Interest paid	(460)	(810)
<b>Net operating activities</b>	<b>(244,722)</b>	523,213
<b>Investing activities:</b>		
Property and equipment expenditures	(95,531)	(260,596)
<b>Financing activities:</b>		
Principal payments on long-term debt	(4,593)	(4,243)
Proceeds from Paycheck Protection Program loan	-	654,160
<b>Net financing activities</b>	<b>(4,593)</b>	649,917
<b>Net change in cash and restricted cash</b>	<b>(344,846)</b>	912,534
Cash and restricted cash - beginning	1,660,674	748,140
<b>Cash and restricted cash - ending</b>	<b>\$ 1,315,828</b>	\$ 1,660,674

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

#### Organization and Purpose:

Finn Academy: An Elmira Charter School (the School), operates a charter school in the City of Elmira, New York (the City) authorized by the Board of Regents of the University of the State of New York. The School offered classes from kindergarten through sixth grade in 2021 (kindergarten through seventh grade in 2020). The School is chartered through July 2023 and continued operations are contingent upon approval of its charter renewal.

#### Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 20, 2021, the date the financial statements were available to be issued.

#### Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as restricted cash on the balance sheets as of June 30, 2021 and 2020.

#### Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

#### Revenue Recognition:

##### *Enrollment Fees*

Enrollment fees are received from the public-school districts where the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education service based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Elmira City School District.

##### *Contributions*

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the School meets requirements in compliance with specific agreements. When applicable, amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

##### *Receivables*

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable.

## Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

## Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, occupancy, and utilities which are allocated based on management's estimate of program benefit.

## 2. Receivables:

	2021	2020
Enrollment fees	\$ 371,627	\$ 363,555
Contributions	119,602	-
	<u>491,229</u>	363,555
Less allowance for doubtful collections	160,000	100,000
	<u>\$ 331,229</u>	\$ 263,555

## 3. Property and Equipment:

	2021	2020
Building improvements	\$ 732,727	\$ 711,403
Instructional and office equipment	514,190	439,983
	<u>1,246,917</u>	1,151,386
Less accumulated depreciation	453,137	330,931
	<u>\$ 793,780</u>	\$ 820,455

## 4. Short-Term Borrowings:

The School has available a \$250,000 unsecured bank demand line of credit with interest payable at prime plus 1%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2021 and 2020.

## 5. Retirement Plans:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at [www.nystrs.org](http://www.nystrs.org).

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 9.53% of the annual covered payroll for the year ended June 30, 2021, and 8.86% for the year ended June 30, 2020. The required contributions for the years ended June 30, 2021 and 2020 TRS were \$212,517 and \$198,030.

The School also has a 403(b) pension plan covering selected employee groups. The School contributes 5% of non-instructional, qualifying employees' salaries to the plan, subject to certain limitations. The School's pension expense was \$19,344 and \$23,517 for the years ended June 30, 2021 and 2020.

## 6. Operating Lease:

The School leases property under the terms of a non-cancelable operating lease. The School's rent expense was \$188,000 and \$240,000 for the years ended June 30, 2021 and 2020.

Future minimum annual rentals due are \$188,000 each year through 2025.

## 7. Contingencies:

The School is subject to claims and lawsuits that arise in the ordinary course of business. Management does not believe these claims will have a material adverse effect on the School.

## 8. Financial Assets Available for Operating Purposes:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$250,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash available for operations	\$ 1,240,828	\$ 1,585,674
Receivables	331,229	263,555
	<u>\$ 1,572,057</u>	<u>\$ 1,849,229</u>

## 9. Risks and Uncertainties due to COVID-19:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and resulted in a severe disruption of operations for many organizations.

In March 2020, the School transitioned to remote instruction for the remainder of the 2019-20 School year. During the 2020-21 School year, the School provided a hybrid in-person and remote instruction model in compliance with all government safety mandates.

In June 2020, the School received a loan of \$654,160 from the Small Business Administration (SBA) under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The School has met the required conditions established by the SBA for loan forgiveness as of June 30, 2021 and the proceeds have been recognized as contributions revenue in the accompanying 2021 statement of activities.

The full extent of the impact of COVID-19 on the School's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees  
Finn Academy: An Elmira Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Finn Academy: An Elmira Charter School (the School), which comprise the balance sheet as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lunden & McCormick, LLP

October 20, 2021